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President's
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Administrative Services Reorganization Project
GS Building
18th & F Sts. NW
Washington, DC 20405

MAY 24 1978

MEMORANDUM

TO: Heads of Executive Agencies and Establishments
FROM: Joseph F. Malaga, Executive Director
SUBJECT: Transmittal of Draft Reports - Administrative Services Reorganization Project

Last October 25, we asked for your views on how best to improve the delivery of administrative services within the Federal Government. Since that time, we have conducted an extensive study, and have prepared a series of service improvement alternatives related to real property, archives and records, supply and support services, and telecommunications. The first of four task force reports to be issued in draft over the next several weeks - real property - is enclosed. Others will be forwarded within the next 30 days. A fifth report on our overall assessment and organizational alternatives will be forthcoming after comments on the draft task force reports have been reviewed.

Many of the largest departments and agencies have represented the Federal interest during the project through the Assistant Secretaries' Management Group and the General Services Advisory Council. It is essential, however, that all agencies be given adequate opportunities to review the work of the project staff and register their views vis-a-vis the alternatives presented.

Please review the enclosed draft on real property services and give us your written comments by June 7, 1978. Comments should be sent to the Administrative Services Reorganization Project, GS Building, 18th and F Streets, NW, Washington, DC 20405.

Joseph F. Malaga

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President's Reorganization Project



Administrative Services
Reorganization Project

Real Property Task Force
Findings and Alternatives

DRAFT

May 19, 1978

EXECUTIVE SUMMARY

BACKGROUND

A number of statutes, Executive Orders, and regulations deal with the Federal Government's real property activities. Many agencies have authority to lease, construct, operate and dispose of real property. The General Services Administration, which has the central role for the Executive Branch, has delegated certain real property authorities to agencies. Some agencies have their own statutory responsibilities for real property. Other agencies which obtain real property services from the GSA have developed their own staff capabilities in the real property area. The result is a proliferation of real property activities throughout the Executive Branch. A recent study by the Office of Federal Procurement Policy produced a list of over 50 organizations in 22 Federal agencies conducting more than \$5.7 billion in construction effort during fiscal year 1976.

The Real Property Task Force examined the organization and provision of real property services within the Executive Branch. It considered all Federal real property used primarily for office space and certain categories of non-office space. While all agencies were included in the review, the principal focus of the study was on 19 major agencies that performed over 90 percent of Federal real property services.

ISSUES

Three comprehensive issues were addressed by the Task Force:

- o What is the appropriate level of centralized and decentralized authorities throughout the Executive Branch to lease, construct, operate, and dispose of Federal real property and to regulate the exercise of these authorities?
- o Are there fixed limitations that inhibit the delivery of real property services unreasonably?
- o What are the most effective funding mechanisms to finance and deliver real property services within defined performance levels?

ALTERNATIVES IDENTIFIED--CENTRALIZATION/DECENTRALIZATION
AND LIMITATIONS

Leasing

Two alternatives were developed to improve the leasing activities of the Federal Government. One would vest total authority in GSA to regulate leasing services and provide or delegate the provision of these services. The other alternative would vest total regulatory authority in GSA and would have GSA primarily perform office-type leasing; other agencies would be vested with non-office type leasing authority. In both alternatives, agencies would be delegated authority to lease office-type space in areas of non-major Federal space concentrations. This authority would be for up to 5,000 square feet for 5 years.

Five fixed limitations were identified in the leasing area. The suggested alternatives would:

- o Change the threshold for applicability of the Economy Act from \$2,000 to 5,000 square feet and allow deduction for real estate taxes in computing the 15 percent of fair market value rental limitation.
- o Revise Executive Order 11512 of February 27, 1970, to vest final authority to resolve space assignment disagreements in the Administrator of General Services.
- o Authorize GSA to pay for options to acquire interests in real property.
- o Authorize GSA to convey an interest in a Government-owned site for lease-construction projects.
- o Revise the criteria for Congressional approval of lease prospectuses from \$500,000 to 125,000 square feet for office-type space and to 300,000 square feet for storage/warehouse space. Also, exempt all lease renewals and succeeding leases.

Construction

One alternative would vest total authority in GSA to regulate new construction and repair and alteration services and to provide these services. A second alternative would be the same as the first except that GSA would make substantial delegations of execution authority to user agencies.

A third alternative would vest regulatory authority in GSA, continue GSA's authorities to construct, repair, and alter or delegate the execution of these services for public buildings. This alternative would vest authority in agencies to execute these services for non-office type space and for office type space on installations.

Four fixed limitations were identified in the construction area. The suggested alternatives would:

- Revise the 6 percent limitation on architect-engineer design fees and deal with the audit requirement for architect-engineer fees exceeding \$100,000.
- Revise the Davis-Bacon Act, requiring payment of prevailing local wages on Federal construction contracts, by increasing the minimum application threshold from \$2,000 to \$40,000.
- Revise the Miller Act, requiring payment and performance bonds for construction contracts, by increasing the minimum application threshold from \$2,000 to \$40,000.
- Revise the Public Buildings Act of 1959, requiring Congressional approval of prospectuses for new construction and repair and alteration projects, by increasing the current threshold amount of \$500,000 to \$2,500,000.

Building Operations

The Task Force developed two alternatives for improving the management of buildings. The first would vest total authority in GSA to regulate building operations and to provide or delegate the provision of these services. The second alternative would be the same as the first except that GSA would operate non-office type space only at the request of user agencies.

Three fixed limitations were identified in the building operations area. The suggested alternatives would:

- Amend the Federal Property and Administrative Services Act to allow GSA to contract selectively for building operations for periods up to three years to serve the best interests of the Government.
- Change the requirement for individual wage determinations in favor of publishing geographical wage rates that remain in effect until superseded and

improve Labor Department procedures for furnishing wage rate determinations.

- o Relax or remove personnel ceilings for other than permanent full time employees and allow GSA to engage in direct hire of trade personnel on a temporary basis to meet workload fluctuations.

Disposal

The Task Force alternative would vest total authority in GSA to regulate and execute or delegate the execution of utilization and disposal of real property. It would rescind certain real property utilization and disposal authorities vested in other agencies.

The suggested alternatives in two areas with fixed limitations would:

- o Amend the Federal Property and Administrative Services Act to vest final authority to the Administrator of General Services for determination of excess property.
- o Amend the Federal Property and Administrative Services Act to (a) allow funding of real property utilization and disposal activities on a percentage of sales proceeds basis or (b) authorize the use of proceeds from the sale of surplus real and related personnel property for payment of certain expenses.

FUNDING MECHANISMS

The Task Force developed three alternatives to improve the mechanisms for financing real property services.

In the first alternative the Federal Buildings Fund would be a true revolving fund. Business-type annual operating plans and budgets would be prepared for OMB and Congressional oversight. The Fund would be removed from the annual appropriations process; restrictions on reprogramming funds among activities would be removed; and the requirement to deposit income to miscellaneous receipts of the Treasury would be eliminated. Personnel ceilings would be removed.

The second alternative would retain the present Federal Buildings Fund with some major modifications. These improvements would eliminate the deposit of income requirement; allow proceeds from disposal of GSA properties to be deposited in the Fund; and allow a 10 percent reprogramming of funds among the four activities of the Fund to meet unforeseen requirements.

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The third alternative would abolish the Federal Buildings Fund and return to financing real property programs by direct appropriations to GSA.

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